UNCA
VOC FOR IOP/FN
BACKGROUNDER NO. 5-5629 MARCH 21, 1978
VERA HIRSCHBERG

RELIEVING THE LDC DEBT

ANNCR:

A NEW PHASE IN THE ROLONGED NORTH-SOUTH DIALOG BETWEEN THE INDUSTRIALIZED AND LESSER DEVELOPED WORLD UNFOLDED LAST WEEK IN GENEVA WITH AGREEMENT ON WHAT HAS BEEN ONE OF THE CRUCIAL ISSUES: DEBT RELIEF FOR THE POORER NATIONS. VOA'S VERA HIRSCHBERG HAS THIS BACKGROUND REPOT.

VOICE:

FOR THE PAST THREE YEARS, ONE OF THE MOST EMOTIONAL ISSUES IN THE SO-CALLED NORTH-SOUTH DIALOG HAS BEEN THE QUESTION OF DEBT RELIEF. THE THIRD WORLD NATIONS HAVE BEEN DEMANDING THAT THE RICHER INDUSTRIALIZED NATIONS FORGIVE AND FORGET IN WHOLE OR IN PART UP TO 250 THOUSAND MILLION DOLLARS THEY OWE. THEY ARGUE THAT THE TIME HAS COME FOR A REDISTRIBUTION OF THE WORLD'S WEALTH UNDER A CONCEPT THEY HAVE DUBBED THE NEW INTERNATIONAL ECONOMIC ORDER.

IN GENEVA, A WEEK-LONG CONFERENCE OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT PRODUCED AN AGREEMENT OF SORTS ON THIS ISSUE. UNDER THE AGREEMENT, THE INDUSTRIALIZED NATIONS HAVE PROMISED TO SEEK WAYS TO BETTER ADJUST REPAYMENT OF DEBTS TO SUIT THE ECONOMIC CONDITIONS OF EACH DEBTOR COUNTRY. ALTHOUGH THERE WERE NO BLANKET PROMISES OF WHOLESALE DEBT CANCELLATIONS, IN THE VIEW OF SOME OBSERVERS AT THE CONFERENCE, SUCH MOVES COULD BE IN THE OFFING FOR SOME OF THE POOREST NATIONS.

ESTIMATES OF THE TOTAL PUBLIC AND PRIVATE THIRD WORLD DEBT RANGE FROM 160 THOUSAND MILLION TO 250 THOUSAND MILLION DOLLARS. SOME NATIONS, SUCH AS SWEDEN AND CANADA, HAVE HEEDED THIRD WORLD

DEMANDS AND CANCELLED THEIR DEBTS. OTHER, SUCH AS FINLAND, AUSTRALIA AND THE NETHERLANDS HAVE FOR YEARS BEEN APPORTIONING THEIR AID TO THE NEEDIEST NATIONS IN THE FORM OF GRANTS. THE UNITED STATES, WHICH LENDS AND GRANTS ABOUT FIVE THOUSAND MILLION DOLLARS A YEAR TO THE LDCS, DOES NOT FAVOR BLANKET DEBT CANCELLATION. INSTEAD, IT PREFERS TO REVIEW REPAYMENT ON A CASE-BY-CASE BASIS.

THE AGREEMENT REACHED AT GENEVA IS CONSISTENT WITH THE U.S. POSITION ON DEBT RELIEF. IT COMMITS THE RICHER NATIONS TO SEEK TO ADOPT MEASURES THAT WOULD ADJUST REPAYMENT TERMS ON PAST AID LOANS TO CONFORM MORE CLOSELY TO EASIER TERMS PREVAILING TODAY. HOWEVER, THE AGREEMENT EMPHASIZES THAT EACH CREDITOR NATION WOULD HAVE THE RIGHT TO DECIDE TO WHOM SUCH ADJUSTMENTS WOULD APPLY. THERE WAS ALSO A CONSENSUS AT GENEVA THAT GUIDELINES FOR FUTURE LOANS TO THE LDCS SHOULD BE WORKED OUT AT THE NEXT UNCTAD CONFERENCE SCHEDULED TO BE HELD IN MANILA IN MAY 1969.

AMERICAN OFFICIALS ARE PLEASED BY THE GENEVA AGREEMENT. THE UNITED STATES CHIEF REPRESENTATIVE AT THE MEETING, UNDER SECRETARY OF STATE RICHARD COOPER, SAID THE AGREEMENT WOULD MAKE POSSIBLE WHAT HE CALLED "EQUITABLE AND EFFICIENT SOLUTIONS" FOR COUNTRIES WITH SEVERE DEBT PROBLEMS.

-0-

JS/RTD